

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Croton Township</b>	County <b>Newaygo</b>
Audit Date <b>3/31/05</b>	Opinion Date <b>7/7/05</b>	Date Accountant Report Submitted to State: <b>9/15/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☒ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>Brickley DeLong, PLC</b>			
Street Address <b>500 Terrace Plaza, P.O. Box 999</b>		City <b>Muskegon</b>	State <b>MI</b>
		ZIP <b>49443-0999</b>	
Accountant Signature <i>Brickley DeLong, PLC by Timothy D. Carter, C.P.A.</i>			Date <b>9/15/05</b>

Croton Township  
Newaygo County, Michigan

**REPORT ON FINANCIAL STATEMENTS**  
(with required supplementary information)

Year ended March 31, 2005

# Croton Township

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As management of Croton Township, we present to the readers of the Township's financial statements this overview and analysis of the financial activities of Croton Township for the fiscal year ended March 31, 2005. We encourage you to consider the information presented in these financial statements along with the additional information that has been furnished in this letter. To those familiar with the prior year's financial statements or just new to this document, it is important to know that the Township is presenting this analysis along with these statements in a new format prescribed by the provisions of the Governmental Accounting Standards Board Statement 34 (GASB 34).

### **FINANCIAL HIGHLIGHTS**

- The General Fund fund balance decreased by \$1,567.
- The Fire Equipment Fund purchased a new fire truck for \$156,689.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. Croton Township's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

#### **Government-wide Financial Statements**

The government-wide financial statements are designed to provide the reader with a broad overview of the Township's finances. These statements are similar to those of a private sector business.

The Statement of Net Assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Statement of Activities presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements mentioned above distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are designed to recover all or a significant part of their costs through user fees and charges for services (business type activities). The governmental activities of Croton Township include general government, public safety, public works, community and economic development and cultural and recreational activities. The sole business-type activity of the Township is the campground.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Croton Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories-governmental funds, proprietary funds and fiduciary funds.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a governmental entity's short-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the two.

Croton Township maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund and other major funds. Data from the other funds is combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

**Proprietary Funds.** Croton Township has one enterprise fund, a type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses an enterprise fund to account for its campground operations. Enterprise funds provide the same type of information as the government-wide financial statements, only in more detail.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected on the government-wide financial statements because the resources from those funds are not available to support the Township's programs. The accounting method used for fiduciary funds is much like that used for the proprietary funds.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The reader is encouraged to include the reading of this section in any attempt to analyze and understand these statements.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Township's budgetary information as it relates to the actual expenditures for the General Fund and other major funds.

**Government-wide Financial Analysis**

The first table presented below is a summary of the government-wide statement of net assets for Croton Township. As stated earlier, the net assets may be used as an indicator of a government's financial health. As of March 31, 2005, the Township's net assets from governmental activities totaled \$1,821,557 (82%) and \$381,327 (18%) from business-type activities, creating a total government-wide net assets total of \$2,202,884. Since this is the first year the Township has prepared financial statements following GASB 34, comparisons to fiscal year 2004 are not available. However, these comparison schedules will be provided in future years.

In examining the composition of these net assets, the reader should note that governmental activities net assets are invested in capital assets (i.e., buildings, land, vehicles, equipment, etc.) These assets are used to provide services to the Township's residents, and they are not available to pay salaries, operational expenses or fund capital projects. The restricted net assets of \$798,519 represent funds legal restricted for various purposes. The unrestricted net assets for governmental-type activities actually depict net assets of \$393,898. This represents the amount of discretionary resources available for governmental operations.

The business-type activities net assets are comprised of invested in capital assets of \$236,561. This represents the campgrounds' investment in capital assets less depreciation. The balance is unrestricted net assets which can be used for campground operations.

**Croton Township Net Assets**

	Governmental Activities	Business-type Activities	Total
Current assets and other assets	\$ 1,196,102	\$ 165,889	\$ 1,361,991
Capital assets	629,140	236,561	865,701
Total assets	<u>1,825,242</u>	<u>402,450</u>	<u>2,227,692</u>
Current liabilities	<u>3,685</u>	<u>21,123</u>	<u>24,808</u>
Net assets			
Invested in capital assets	629,140	236,561	865,701
Restricted	798,519	-	798,519
Unrestricted	393,898	144,766	538,664
Total net assets	<u>\$ 1,821,557</u>	<u>\$ 381,327</u>	<u>\$ 2,202,884</u>

# Croton Township

## Management's Discussion and Analysis

### Governmental Activities

The following table shows that governmental activities increased by \$239,613 (14%) during the year. With all of the Township's governmental operations combined, the net result was that its operating revenues exceeded its operating expenditures, producing the resulting net assets.

### Business-type Activities

At the end of the fiscal year, the net assets for business-type activities decreased by \$32,976 or 8%. This indicates that expenditures exceeded revenues by \$32,976.

### Croton Township Change in Net Assets

	Governmental Activities	Business-type Activities	Total
<b>Revenues:</b>			
Program revenues			
Charges for services	\$ 85,915	\$ 157,442	\$ 243,357
Operating grants	130	-	130
Capital grants and contributions	133,056	-	133,056
General revenues			
Property taxes	452,092	-	452,092
Franchise fees	1,050	-	1,050
Grants and contributions not restricted	206,571	-	206,571
Unrestricted investment earnings	16,931	2,242	19,173
Miscellaneous	7,234	-	7,234
Gain (loss) on sale of capital assets	550	(4,865)	(4,315)
<b>Total revenues</b>	<u>903,529</u>	<u>154,819</u>	<u>1,058,348</u>
<b>Expenses:</b>			
General government	248,846	-	248,846
Public safety	105,941	-	105,941
Public works	209,859	-	209,859
Community and economic development	56,385	-	56,385
Culture and recreation	42,885	-	42,885
Campground	-	187,795	187,795
<b>Total expenses</b>	<u>663,916</u>	<u>187,795</u>	<u>851,711</u>
<b>Change in net assets</b>	<u>239,613</u>	<u>(32,976)</u>	<u>206,637</u>
<b>Net assets – April 1, 2004</b>	<u>1,581,944</u>	<u>414,303</u>	<u>1,996,247</u>
<b>Net Assets – March 31, 2005</b>	<u><u>\$ 1,821,557</u></u>	<u><u>\$ 381,327</u></u>	<u><u>\$ 2,202,884</u></u>

### Financial Analysis of the Government's Funds

As stated earlier in this discussion and analysis, Croton Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of Croton Township's governmental funds is to provide information on near-term inflows, outflows and balances in spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balances, or the lack thereof, may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the 2005 fiscal year, Croton Township's governmental funds reported a combined unreserved fund balance of \$1,059,117. This number represents the unreserved fund balance of \$261,951 in the General Fund, \$357,975 in the Road Fund, \$171,114 in Fire Fund, \$226,729 in the Fire Equipment Fund and \$41,348 in other governmental funds. It is necessary to further distinguish between the unreserved and reserved fund balance. The unreserved fund balance represents discretionary amount available to each individual fund. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders.

The other governmental funds column consists of various funds. The Transfer Fund is the largest fund in that schedule and ended the year with a current year decrease in fund balance of \$2,182, which resulted in an end of year fund deficit of \$1,353.

Croton Township's proprietary fund provides the same type of information found in the governmental financial statements, but in more detail. Unrestricted net assets of the Campground Fund decreased by \$32,976. The fund ended the year with a net asset balance of \$381,327.

### General Fund Budget

During the current fiscal year, the Township made several amendments to its original budget. The most significant of those is listed below:

- The intergovernmental revenues budget was decreased due to a reduction in state revenue sharing.
- The charge for services revenue budget was increased as revenues were more than anticipated.
- The Township's administration expenditures were increased due to greater than anticipated legal fees.
- The cemetery budget and planning and zoning budget were reduced due to not completing anticipated projects.
- Other community expenditure budget was increase to account for a county economic development program.
- The library expenditure budget was increased to account for additional costs related to a new library service agreement.
- The decrease in the capital outlay budget was due to an inadvertent omission of this line in the final amended budget.

The following comments summarize the major variations from the final budget to actual revenues and expenditures.

- Property taxes and administration fees were more than anticipated.
- Investment earnings exceed the budget due to unanticipated investment earnings from the tax collection fund.
- The parks budget was under budget due to not completing anticipated projects.
- Other governmental functions budget was under budget due to not utilizing a contingency line item of \$35,000.
- Transfers out was over budget due to a transfer to the Transfer Station Fund that was inadvertently omitted.

### Capital Assets

Croton Township's investment in capital assets for its governmental and business-type activities as of March 31, 2005 totaled \$865,701 (net of accumulated depreciation). This investment in capital assets includes land, buildings, land improvements, machinery, equipment and vehicles. The Township made one major equipment purchase during the year. The Fire Equipment Fund purchased a new fire truck for \$156,689.

#### Croton Township Capital Assets (Net of Accumulated Depreciation)

	Governmental Activities	Business-type Activities	Total
Land	\$ 20,503	\$ -	\$ 20,503
Land improvements	18,079	-	18,079
Buildings and improvements	128,226	160,252	288,478
Furniture and equipment	61,307	76,309	137,616
Vehicles	401,025	-	401,025
Total	<u>\$ 629,140</u>	<u>\$ 236,561</u>	<u>\$ 865,701</u>

Additional information on the Township's capital assets can be found in Note D of the "Notes to the Financial Statements" of this report.

### General Economic Overview

Croton Township has set fiscal accountability and financial stability as its number one priority. This is also its greatest challenge.

### **General Fund**

The Township adopted a breakeven budget for the year ended March 31, 2006 for the General Fund. The Township's General Fund is comprised of two major revenue sources, state revenue sharing and property taxes. Those two sources comprise approximately 90% of the General Fund revenue sources. In fiscal 2006, state revenue sharing is expected to be flat for the year and property tax revenues are expected to decrease by approximately 5%.

As noted above, the Township receives a significant amount of its revenues from the State of Michigan. The State of Michigan is experiencing significant financial difficulties. These difficulties could result in a decrease in funding from the State of Michigan.

### **Campground**

The Township's Board recognized during the budgeting process that the Campground Fund would need additional revenues to stabilize the Fund's finances. As a result, for the fiscal year 2006, the Township's Board approved an increase in the campground rates. The rate increases will not take affect until fiscal year 2007. The Township plans on evaluating the effect of the rate increases, but further rate increases may be necessary.

### **Requests for Information**

This financial report is designed to provide a general overview of Croton Township's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Croton Township, 5833 E. Division Street, Newaygo, MI 49337, (231) 652-4301.

# BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

July 7, 2005

Township Board  
Croton Township  
Croton, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Croton Township as of and for the year ended March 31, 2005, which collectively comprise the Township's financial statements as listed in the table of contents. These financial statements are the responsibility of Croton Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Croton Township, as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A, Croton Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as of March 31, 2005.

The management's discussion and analysis and budgetary comparison information on pages i through vii and 25 through 28 are not a required part of the basic financial statement but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

BRICKLEY DELONG

Township Board  
July 7, 2005  
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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Croton Township's basic financial statements. The combining nonmajor governmental funds financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor funds financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Brickley DeLong, PLC*

Croton Township  
**STATEMENT OF NET ASSETS**  
March 31, 2005

ASSETS

	Governmental activities	Business-type activities	Total
<b>CURRENT ASSETS</b>			
Cash and investments	\$ 975,883	\$ 173,688	\$ 1,149,571
Internal balances	7,799	(7,799)	-
Due from other governmental units	203,320	-	203,320
Prepaid items	9,100	-	9,100
Total current assets	1,196,102	165,889	1,361,991
<b>NONCURRENT ASSETS</b>			
Capital assets, net			
Nondepreciable	20,503	-	20,503
Depreciable	608,637	236,561	845,198
Total noncurrent assets	629,140	236,561	865,701
Total assets	1,825,242	402,450	2,227,692
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable and accrued liabilities	3,685	-	3,685
Deferred revenue	-	21,123	21,123
Total liabilities	3,685	21,123	24,808
<b>NET ASSETS</b>			
Invested in capital assets	629,140	236,561	865,701
Restricted for:			
Fire department operations	171,114	-	171,114
Fire department capital asset purchases	226,729	-	226,729
Road construction and maintenance	357,975	-	357,975
Building inspections	28,436	-	28,436
Boardwalk construction	14,265	-	14,265
Unrestricted	393,898	144,766	538,664
Total net assets	\$ 1,821,557	\$ 381,327	\$ 2,202,884

The accompanying notes are an integral part of this statement.

Croton Township  
**STATEMENT OF ACTIVITIES**  
For the year ended March 31, 2005

<i>Functions/Programs</i>	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
		Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	Total
Governmental activities							
General government	\$ 248,846	\$ 12,414	\$ -	\$ -	\$ (236,432)	\$ -	\$ (236,432)
Public safety	105,941	-	-	133,056	27,115	-	27,115
Public works	209,859	32,454	130	-	(177,275)	-	(177,275)
Community and economic development	56,385	41,047	-	-	(15,338)	-	(15,338)
Culture and recreation	42,885	-	-	-	(42,885)	-	(42,885)
Total governmental activities	663,916	85,915	130	133,056	(444,815)	-	(444,815)
Business-type activities							
Campground	187,795	157,442	-	-	-	(30,353)	(30,353)
Total government	\$ <u>851,711</u>	\$ <u>243,357</u>	\$ <u>130</u>	\$ <u>133,056</u>	(444,815)	(30,353)	(475,168)
General revenues							
Taxes							
Property taxes, levied for general purposes					113,629	-	113,629
Property taxes, levied for specific purposes					338,463	-	338,463
Franchise taxes					1,050	-	1,050
Grants and contributions not restricted to specific programs					206,571	-	206,571
Unrestricted investment earnings					16,931	2,242	19,173
Miscellaneous					7,234	-	7,234
Special items							
Gain (loss) on sale of capital asset					550	(4,865)	(4,315)
Total general revenues and special items					684,428	(2,623)	681,805
Change in net assets					239,613	(32,976)	206,637
Net assets at April 1, 2004					1,581,944	414,303	1,996,247
Net assets at March 31, 2005					\$ <u>1,821,557</u>	\$ <u>381,327</u>	\$ <u>2,202,884</u>

The accompanying notes are an integral part of this statement.

**Croton Township**  
**BALANCE SHEET**  
Governmental Funds  
March 31, 2005

	General Fund	Road Fund	Fire Fund	Fire Equipment Fund	Other governmental funds	Total governmental funds
<b>ASSETS</b>						
Cash and investments	\$ 202,812	\$ 337,579	\$ 167,849	\$ 218,584	\$ 49,059	\$ 975,883
Due from other funds	18,224	-	-	-	-	18,224
Due from other governmental units	42,232	20,396	7,597	8,895	-	79,120
Prepaid items	9,100	-	-	-	-	9,100
Total assets	<u>\$ 272,368</u>	<u>\$ 357,975</u>	<u>\$ 175,446</u>	<u>\$ 227,479</u>	<u>\$ 49,059</u>	<u>\$ 1,082,327</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities						
Accounts payable	\$ 1,317	\$ -	\$ -	\$ -	\$ 2,368	\$ 3,685
Due to other funds	<u>-</u>	<u>-</u>	<u>4,332</u>	<u>750</u>	<u>5,343</u>	<u>10,425</u>
Total liabilities	1,317	-	4,332	750	7,711	14,110
Fund balances						
Reserved for prepaid items	9,100	-	-	-	-	9,100
Unreserved						
General Fund	261,951	-	-	-	-	261,951
Special revenue funds	<u>-</u>	<u>357,975</u>	<u>171,114</u>	<u>226,729</u>	<u>41,348</u>	<u>797,166</u>
Total fund balances	<u>271,051</u>	<u>357,975</u>	<u>171,114</u>	<u>226,729</u>	<u>41,348</u>	<u>1,068,217</u>
Total liabilities and fund balances	<u>\$ 272,368</u>	<u>\$ 357,975</u>	<u>\$ 175,446</u>	<u>\$ 227,479</u>	<u>\$ 49,059</u>	<u>\$ 1,082,327</u>

The accompanying notes are an integral part of this statement.

Croton Township  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS**  
March 31, 2005

Total fund balance—governmental funds	\$ 1,068,217
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Amounts reported for governmental activities in the Statement of Net Assets  
are different because:

Receivables recorded in the governmental activities, but not reported in the governmental funds.	124,200
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Capital assets used in governmental activities are not financial resources and  
are not reported in the governmental funds.

Cost of capital assets	\$ 1,213,425	
Accumulated depreciation	<u>(584,285)</u>	<u>629,140</u>

Net assets of governmental activities in the Statement of Net Assets	\$ <u><u>1,821,557</u></u>
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The accompanying notes are an integral part of this statement.

Croton Township  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
Governmental Funds  
For the year ended March 31, 2005

	General Fund	Road Fund	Fire Fund	Fire Equipment Fund	Other governmental funds	Total governmental funds
REVENUES						
Property taxes	\$ 113,629	\$ 180,331	\$ 71,006	\$ 87,126	\$ -	\$ 452,092
Licenses and permits	1,242	-	-	-	-	1,242
Intergovernmental revenues						
Federal	-	-	8,856	-	-	8,856
State	206,571	-	-	-	-	206,571
Charges for services	18,647	-	-	-	66,670	85,317
Investment earnings	11,541	2,001	855	2,372	162	16,931
Other	7,640	-	130	-	-	7,770
Total revenues	359,270	182,332	80,847	89,498	66,832	778,779
EXPENDITURES						
Current						
General government	209,026	-	-	-	-	209,026
Public safety	156	-	70,430	-	-	70,586
Public works	30,380	133,276	-	-	46,153	209,809
Community and economic development	26,079	-	-	-	26,741	52,820
Culture and recreation	38,722	-	-	-	-	38,722
Other governmental functions	35,609	-	-	-	-	35,609
Capital outlay	10,115	-	8,248	157,274	199	175,836
Total expenditures	350,087	133,276	78,678	157,274	73,093	792,408
Excess of revenues over (under) expenditures	9,183	49,056	2,169	(67,776)	(6,261)	(13,629)
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of capital assets	-	-	-	550	-	550
Transfers in	-	-	-	-	10,750	10,750
Transfers out	(10,750)	-	-	-	-	(10,750)
Total other financing sources (uses)	(10,750)	-	-	550	10,750	550
Net change in fund balances	(1,567)	49,056	2,169	(67,226)	4,489	(13,079)
Fund balances at April 1, 2004	272,618	308,919	168,945	293,955	36,859	1,081,296
Fund balances at March 31, 2005	\$ 271,051	\$ 357,975	\$ 171,114	\$ 226,729	\$ 41,348	\$ 1,068,217

The accompanying notes are an integral part of this statement.

Croton Township  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
For the year ended March 31, 2005

Net change in fund balances—total governmental funds	\$	(13,079)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Revenues reported in the Statement of Activities that does not provide current resources and are not reported as revenue in the governmental funds.	124,200
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Governmental funds report outlays for capital assets as expenditures; in the Statement of Activities, these costs are depreciated over their estimated useful lives.

Depreciation expense	\$	(34,781)	
Capital outlay		<u>163,273</u>	<u>128,492</u>

Change in net assets of governmental activities	\$	<u><u>239,613</u></u>
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The accompanying notes are an integral part of this statement.

Croton Township  
**STATEMENT OF NET ASSETS**  
 Proprietary Funds  
 March 31, 2005

ASSETS		
		Campground Fund
CURRENT ASSETS		
Cash and investments		\$ 173,688
NONCURRENT ASSETS		
Capital assets, net		
Building and improvements		191,804
Furniture and equipments		149,321
Accumulated depreciation		<u>(104,564)</u>
Net capital assets		<u>236,561</u>
Total assets		410,249
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Due to other funds		7,799
Deferred revenue		<u>21,123</u>
Total current liabilities		<u>28,922</u>
NET ASSETS		
Invested in capital assets		236,561
Unrestricted		<u>144,766</u>
Total net assets		<u><u>\$ 381,327</u></u>

The accompanying notes are an integral part of this statement.

Croton Township  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
 Proprietary Funds  
 For the year ended March 31, 2005

	Campground Fund
REVENUES	
Charges for services	\$ 147,558
Other	<u>9,884</u>
Total operating revenues	157,442
OPERATING EXPENSES	
Operations	168,042
Depreciation	<u>19,753</u>
Total operating expenses	<u>187,795</u>
Operating loss	(30,353)
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	2,242
Loss on sale of capital assets	<u>(4,865)</u>
Total nonoperating revenues (expenses)	<u>(2,623)</u>
Change in net assets	(32,976)
Total net assets at April 1, 2004	<u>414,303</u>
Total net assets at March 31, 2005	<u><u>\$ 381,327</u></u>

The accompanying notes are an integral part of this statement.

Croton Township  
**STATEMENT OF CASH FLOWS**  
 Proprietary Funds  
 For the year ended March 31, 2005

	Campground Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 162,720
Payments to suppliers	(75,023)
Payments to employees	(90,599)
	<u>(2,902)</u>
Net cash provided by used for operating activities	
CASH FLOW FROM INVESTING ACTIVITIES	
Investment earnings	<u>2,242</u>
Net decrease in cash and investments	(660)
Cash and investments at April 1, 2004	<u>174,348</u>
Cash and investments at March 31, 2005	<u><u>\$ 173,688</u></u>
Reconciliation of operating loss to net cash used for operating activities	
Operating loss	\$ (30,353)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	19,753
Change in assets and liabilities	
Due to other funds	2,420
Deferred revenue	<u>5,278</u>
Net cash provided by operating activities	<u><u>\$ (2,902)</u></u>

The accompanying notes are an integral part of this statement.

Croton Township  
**STATEMENT OF FIDUCIARY NET ASSETS**  
March 31, 2005

	<u>Employee Benefit Plan</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
Cash and investments	\$     77,230	\$     7,530
<b>LIABILITIES</b>		
Deposits held for others	<u>          -</u>	<u>      7,530</u>
<b>NET ASSETS</b>		
Held in trust for benefits and other purposes	\$ <u>      77,230</u>	\$ <u>          -</u>

The accompanying notes are an integral part of this statement.

Croton Township  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
Employee Benefit Plan  
For the year ended March 31, 2005

ADDITIONS

Contributions

Employee

\$ 5,635

Employer

12,728

18,363

Investment earnings

5,459

Total additions

23,822

DEDUCTIONS

Benefits

42,675

Change in net assets

(18,853)

Net assets at April 1, 2004

96,083

Net assets at March 31, 2005

\$ 77,230

The accompanying notes are an integral part of this statement.

Croton Township  
**NOTES TO FINANCIAL STATEMENTS**  
March 31, 2005

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Croton Township (Township) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

Effective April 1, 2004, the Township adopted GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 37 and No. 38. These statements primarily establish standards for external financial reporting for state and local governments. Certain significant changes in these statements include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Township's overall financial position and results of operations.
- Government-wide financial statements prepared using full accrual accounting for all of the Township's activities.
- A change in the fund financial statements to focus on the major funds.
- Expansion of footnote disclosures.
- These and other changes are reflected in the accompanying financial statements, including notes to financial statements.

The beginning net assets restated for the effects of implementation of GASB Statement No. 34 are as follows:

Fund balances at April 1, 2004—governmental funds	\$ 1,081,296
Capital assets, net	<u>500,648</u>
Restated net assets at April 1, 2004	<u>\$ 1,581,944</u>

**1. Reporting Entity**

Croton Township (Township) is a common law township governed by an elected five-member Board.

Generally accepted accounting principles require that if the Township has certain oversight responsibilities over other organizations, those organizations should be included in the Township's financial statements. Since no organizations met this criteria, none are included in the financial statements.

Croton Township  
**NOTES TO THE FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2005

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

**2. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. The Township does not allocate indirect costs.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**3. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Croton Township  
**NOTES TO THE FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2005

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

**3. Measurement Focus, Basis of Accounting and Financial Statement Presentation—Continued**

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Road Fund is used to improve the roads within the Township.

The Fire Fund is used to finance the operation of the Township's fire department.

The Fire Equipment Fund is used for the maintenance and replacement of the Township's major fire equipment.

The Township reports the following major proprietary fund:

The Campground Fund operates the Township's campground.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges to customers for site rental and other services. Operating expenses for proprietary funds include the cost of sales and services and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

Croton Township  
**NOTES TO THE FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2005

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

**4. Assets, Liabilities and Net Assets or Equity**

**a. Deposits and Investments**

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The Township has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Township to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers acceptances, state-approved investment pools and certain mutual funds.

Pension plan investments are reported at fair value. The Township's pension trust investments are held in trust by the investment fiduciary, John Hancock USA Group Pension Services. Michigan Compiled Laws, Section 38.1132, authorizes the Township's plan to invest in a wide variety of investments including stocks, bonds, certificates of deposit, real estate, annuity contracts obligations of a specified nature, and real or personal property.

**b. Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of allowance for uncollectibles.

The Township bills and collects its own property taxes and also collects taxes for the county, school and State of Michigan. Taxes are levied on each December 1 on the taxable valuation of property (as defined by state statutes) located in the Local Governmental Unit as of the preceding December 31. Uncollectible real property taxes as of the following February 15 are turned over by the Township to the County for collection. The County advances the Township all these delinquent real property taxes. The delinquent personal property taxes remain the responsibility of the Township. The Township recognizes all available revenue from the current tax levy. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2004 state taxable value for real/personal property of the Township totaled approximately \$95,000,000 on which ad valorem taxes levied consisted of .784 mills for general operating purposes, .7841 mills for fire services, .9181 mills for fire equipment and 1.88 mills for roads. These amounts are recognized in the respective General Fund, Road Fund, Fire Fund and Fire Equipment Fund financial statements.

Croton Township  
**NOTES TO THE FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2005

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

**4. Assets, Liabilities and Net Assets or Equity—Continued**

**c. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**d. Capital Assets**

Capital assets, which include property, equipment and vehicles, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20-40
Land improvements	15-40
Equipment	5-10
Vehicles	7-20

**e. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**f. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

Croton Township  
**NOTES TO THE FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2005

**NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**1. Budgetary Information**

Annual budgets, as required by state statutes, are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except capital projects funds.

The Township follows these procedures in establishing the budgetary information provided in the financial statements:

- a. Prior to the first week of March, the Township Supervisor submits to the Township Board a proposed operating budget for the year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
- c. Not later than the last week in March, the budget is legally enacted through passage of a resolution.
- d. Supplemental appropriations, when required to provide for additional expenditures, are matched by additional anticipated revenues or an appropriation of available fund balance and must be approved by the Township Board. All appropriations lapse at year end. The appropriated budget is prepared by fund, function and department. The Township's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Township Board. The legal level of budgetary control is the department level. The Township Board made several supplemental budgetary appropriations throughout the year.

**2. Excess of Expenditures Over Appropriations**

For the year ended March 31, 2005, expenditures exceeded appropriations in the following funds and departments.

	<u>Amended budget</u>	<u>Actual</u>	<u>Excess</u>
General Fund			
Supervisor	\$ 16,100	\$ 16,342	\$ 242
Board of review	1,600	3,563	1,963
Building inspector	-	156	156
Capital outlay	-	10,115	10,115
Transfers out	-	10,750	10,750
Fire Fund			
Capital outlay	-	8,248	8,248
Fire Equipment Fund			
Capital outlay	10,000	157,274	147,274

**3. Fund Deficit**

As of March 31, 2005, the Township's transfer station had an undesignated fund deficit of \$1,353. The deficit will be eliminated through future operations and interfund transfers.

Croton Township  
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED  
March 31, 2005

**NOTE C—DEPOSITS AND INVESTMENTS**

**1. Deposits**

The Township's deposits are categorized to give an indication of the level of risk assumed by the entity at year end. Category 1 includes deposits insured or collateralized with securities held by the entity or its agent in the entity's name. Category 2 includes deposits collateralized with securities held by the pledging financial institutions' trust department or agent in the entity's name. Category 3 includes deposits which are uncollateralized.

As of March 31, 2005, the Township's carrying amount of deposits was \$450,385, and the bank balance was \$435,797. Of the bank balance, \$200,000 was covered by federal depository insurance. The remaining \$235,797 was uninsured and uncollateralized.

**2. Investments**

As of March 31, 2005, the Township's investments represented holdings in investment pools and mutual funds. During the year ended March 31, 2005, the Township's investments were only in these types of investments.

The Township's investments are categorized below to give an indication of the level of risk assumed by the entity at year end. Category 1 includes investments that are insured or registered, or the securities held by the Township or its agent in the Township's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Township's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Township's name. The state-approved investment pools are not categorized as they are synonymous with mutual funds. As of March 31, 2005, the Township's fair value in those pools and mutual funds were \$783,946.

The composition of pension trust fund investments at fair value is included in the previous paragraph and shown in the following table:

Managed Domestic stock funds	\$ 10,994
Managed Bonds funds	<u>66,236</u>
	<u>\$ 77,230</u>

Below is a summary of the combined balance sheet deposits and investments:

	<u>Government activities</u>	<u>Business-type activities</u>	<u>Fiduciary Fund</u>	<u>Total</u>
Cash and investments	\$ <u>975,883</u>	\$ <u>173,688</u>	\$ <u>84,760</u>	\$ <u>1,234,331</u>

Croton Township  
**NOTES TO THE FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2005

**NOTE D—CAPITAL ASSETS**

Capital asset activity for the year ended March 31, 2005 was as follows:

	Balance April 1, 2004	Additions	Deductions	Balance March 31, 2005
<b>Governmental activities:</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$ 20,503	\$ -	\$ -	\$ 20,503
<b>Capital assets, being depreciated:</b>				
Land improvements	36,039	-	-	36,039
Buildings and improvements	352,164	6,584	-	358,748
Furniture and equipment	89,226	-	-	89,226
Vehicles	552,220	156,689	-	708,909
Total capital assets, being depreciated	1,029,649	163,273	-	1,192,922
<b>Less accumulated depreciation for:</b>				
Land improvements	16,437	1,523	-	17,960
Buildings and improvements	225,933	4,589	-	230,522
Furniture and equipment	20,043	7,876	-	27,919
Vehicles	287,091	20,793	-	307,884
Total accumulated depreciation	549,504	34,781	-	584,285
Total capital assets, being depreciated, net	480,145	128,492	-	608,637
Capital assets, net	\$ 500,648	\$ 128,492	\$ -	\$ 629,140
<b>Business-type activities:</b>				
<b>Capital assets, being depreciated:</b>				
Buildings and improvements	\$ 191,804	\$ -	\$ -	\$ 191,804
Furniture and equipment	156,032	-	6,711	149,321
Total capital assets, being depreciated	347,836	-	6,711	341,125
<b>Less accumulated depreciation:</b>				
Buildings and improvements	25,193	6,359	-	31,552
Furniture and equipment	61,463	13,394	1,845	73,012
Total accumulated depreciation	86,656	19,753	1,845	104,564
Total capital assets being depreciated, net	\$ 261,180	\$ (19,753)	\$ 4,866	\$ 236,561
<b>Government activities:</b>				
Depreciation expense was charged to functions as follows:				
General government				\$ 10,817
Public safety				20
Public works				23,819
Culture and recreation				125
				\$ 34,781

**Business-type activities:**

Depreciation expense of \$19,753 was charged to the campground.

Croton Township  
**NOTES TO THE FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2005

**NOTE E—DEFERRED REVENUE**

As of March 31, 2005, the Township's Enterprise Fund had \$21,123 in deferred revenue. This amount consists primarily of unearned advance payments for the rental of campsites for 2006.

**NOTE F—INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

The composition of interfund balances, caused by normal operation, is as follows:

*Due to/from other funds:*

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General Fund	Fire Fund	\$ 4,332
General Fund	Fire Equipment Fund	750
General Fund	Other governmental funds	5,343
General Fund	Campground Fund	<u>7,799</u>
		<u>\$ 18,224</u>

The General Fund made one transfer to the transfer station to fund operations.

**NOTE G—OTHER INFORMATION**

**1. Risk Management**

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss in excess of insurance coverage can be reasonably estimated. There has been no loss in excess of insurance in the past three years.

**2. Contingent Liabilities**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability to the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Township expects such amounts, if any, to be immaterial.

The Township is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Township's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the Township.

Croton Township  
**NOTES TO THE FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2005

**NOTE H—RETIREMENT PLANS**

**1. Deferred Compensation Plan**

The Township offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all full-time Township employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency.

The Plan has created a trust for the exclusive benefit of the Plan's participants and beneficiaries under rules provided in Internal Revenue Code Section 401(f).

**2. Defined Contribution Plan**

The Township provides pension benefits for all its full-time employees and fire fighters through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Salaried and hourly employees who have attained the age of 21 are eligible to participate in the plan. The Township is required to contribute an amount equal to 10 percent of employee's annual compensation. The Township's contributions for each employee (and earnings allocated to the employee's account) are immediately vested. Any forfeitures are reallocated to participants. Plan provision and contribution requirements are established and may be amended by the Township Board.

For fiscal year end March 31, 2005, the Township's contribution to the defined contribution plan was \$12,728.

**NOTE I—ECONOMIC DEPENDENCY**

State of Michigan shared revenues represent 58 percent of General Fund revenues.

## **REQUIRED SUPPLEMENTAL INFORMATION**

Croton Township  
BUDGETARY COMPARISON SCHEDULE  
General Fund  
For the year ended March 31, 2005

	Budgeted amounts			Variance with final budget- positive (negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 95,000	\$ 100,805	\$ 113,629	\$ 12,824
Licenses and permits	7,800	3,692	1,242	(2,450)
Intergovernmental revenues - state	230,000	203,271	206,571	3,300
Charges for services	8,200	15,205	18,647	3,442
Investment earnings	3,200	1,032	11,541	10,509
Other	3,000	7,600	7,640	40
Total revenues	347,200	331,605	359,270	27,665
EXPENDITURES				
Current				
General government				
Township board	8,300	8,800	7,876	924
Supervisor	17,600	16,100	16,342	(242)
Assessor	24,500	25,400	25,073	327
Elections	5,500	5,500	5,024	476
Clerk	19,500	19,000	17,867	1,133
Board of review	1,600	1,600	3,563	(1,963)
Treasurer	28,000	29,000	27,068	1,932
Township administration	43,000	93,000	91,436	1,564
Township hall	20,000	20,000	13,380	6,620
Cemetery	25,000	2,000	1,397	603
Public safety				
Building inspector	-	-	156	(156)
Public works				
Highway and streets	30,000	31,000	30,380	620
Community and economic development				
Planning and zoning	46,150	27,034	17,742	9,292
Other community	-	8,500	8,337	163
Culture and recreation				
Library	20,000	38,881	38,015	866
Park	18,000	15,000	707	14,293
Other governmental functions	87,500	78,738	35,609	43,129
Capital outlay	10,000	-	10,115	(10,115)
Total expenditures	404,650	419,553	350,087	69,466
Excess of revenues over (under) expenditures	(57,450)	(87,948)	9,183	97,131
OTHER FINANCING USES				
Transfers out	-	-	(10,750)	(10,750)
Net change in fund balance	\$ (57,450)	\$ (87,948)	(1,567)	\$ 86,381
Fund balance at April 1, 2004			272,618	
Fund balance at March 31, 2005			\$ 271,051	

Croton Township  
**BUDGETARY COMPARISON SCHEDULE**  
 Road Fund  
 For the year ended March 31, 2005

	Budgeted amounts			Variance with final budget- positive (negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u></u>
REVENUES				
Property taxes	\$ 158,858	\$ 174,890	\$ 180,331	\$ 5,441
Investment earnings	<u>550</u>	<u>1,334</u>	<u>2,001</u>	<u>667</u>
Total revenues	159,408	176,224	182,332	6,108
EXPENDITURES				
Current				
Public works	<u>263,425</u>	<u>133,270</u>	<u>133,276</u>	<u>(6)</u>
Net change in fund balance	\$ <u>(104,017)</u>	\$ <u>42,954</u>	49,056	\$ <u>6,102</u>
Fund balance at April 1, 2004			<u>308,919</u>	
Fund balance at March 31, 2005			<u>\$ 357,975</u>	

Croton Township  
**BUDGETARY COMPARISON SCHEDULE**  
 Fire Fund  
 For the year ended March 31, 2005

	Budgeted amounts		Actual	Variance with final budget- positive (negative)
	Original	Final		
REVENUES				
Property taxes	\$ 70,000	\$ 78,091	\$ 71,006	\$ (7,085)
Intergovernmental revenues - federal	-	8,402	8,856	454
Investment earnings	1,800	870	855	(15)
Other	100	-	130	130
Total revenues	<u>71,900</u>	<u>87,363</u>	<u>80,847</u>	<u>(6,516)</u>
EXPENDITURES				
Current				
Public safety	83,650	71,359	70,430	929
Capital outlay	-	-	8,248	(8,248)
Total expenditures	<u>83,650</u>	<u>71,359</u>	<u>78,678</u>	<u>(7,319)</u>
Net change in fund balance	<u>\$ (11,750)</u>	<u>\$ 16,004</u>	2,169	<u>\$ (13,835)</u>
Fund balance at April 1, 2004			<u>168,945</u>	
Fund balance at March 31, 2005			<u>\$ 171,114</u>	

Croton Township  
**BUDGETARY COMPARISON SCHEDULE**  
 Fire Equipment Fund  
 For the year ended March 31, 2005

	Budgeted amounts			Variance with final budget- positive (negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 81,000	\$ 87,525	\$ 87,126	\$ (399)
Investment earnings	5,000	1,939	2,372	433
Total revenues	86,000	89,464	89,498	34
EXPENDITURES				
Current				
Public safety	5,278	15,778	-	15,778
Capital outlay	10,000	10,000	157,274	(147,274)
Total expenditures	15,278	25,778	157,274	(131,496)
Excess of revenues over (under) expenditures	70,722	63,686	(67,776)	(131,462)
OTHER FINANCING SOURCES				
Proceeds from sale of capital assets	-	-	550	550
Net change in fund balance	\$ 70,722	\$ 63,686	(67,226)	\$ (130,912)
Fund balance at April 1, 2004			293,884	
Fund balance at March 31, 2005			\$ 226,658	

## **OTHER SUPPLEMENTAL INFORMATION**

Croton Township  
**BALANCE SHEET**  
 Other Governmental Funds  
 March 31, 2005

	Total other governmental funds	Special Revenue Funds		
		Transfer Station	Building Department	Boardwalk
ASSETS				
Cash and investments	\$ 49,059	\$ 1,015	\$ 33,018	\$ 15,026
Total assets	<u>\$ 49,059</u>	<u>\$ 1,015</u>	<u>\$ 33,018</u>	<u>\$ 15,026</u>
LIABILITIES AND FUND BALANCES (DEFICIT)				
Liabilities				
Accounts payable	\$ 2,368	\$ 2,368	\$ -	\$ -
Due to other funds	<u>5,343</u>	<u>-</u>	<u>4,582</u>	<u>761</u>
Total liabilities	7,711	2,368	4,582	761
Fund balances (deficit)				
Unreserved				
Special revenue	<u>41,348</u>	<u>(1,353)</u>	<u>28,436</u>	<u>14,265</u>
Total liabilities and fund balances	<u>\$ 49,059</u>	<u>\$ 1,015</u>	<u>\$ 33,018</u>	<u>\$ 15,026</u>

Croton Township  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)**  
 Other Governmental Funds  
 For the year ended March 31, 2005

	Total other governmental funds	Special Revenue Funds		
		Transfer Station	Building Department	Boardwalk
REVENUES				
Charges for services	\$ 66,670	\$ 32,454	\$ 34,216	\$ -
Investment earnings	162	6	93	63
Total revenues	66,832	32,460	34,309	63
EXPENDITURES				
Current				
Public works	46,153	45,392	-	761
Community and economic development	26,741	-	26,741	-
Capital outlay	199	-	199	-
Total expenditures	73,093	45,392	26,940	761
Excess of revenues over (under) expenditures	(6,261)	(12,932)	7,369	(698)
OTHER FINANCING SOURCES				
Transfers in	10,750	10,750	-	-
Net change in fund balances	4,489	(2,182)	7,369	(698)
Fund balances at April 1, 2004	36,859	829	21,067	14,963
Fund balances (deficits) at March 31, 2005	\$ 41,348	\$ (1,353)	\$ 28,436	\$ 14,265

# BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

July 7, 2005

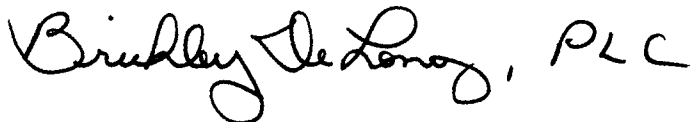
Township Board  
Croton Township  
Newaygo, Michigan

In planning and performing our audit of the financial statements of Croton Township for the year ended March 31, 2005, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect Croton Township's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements. We have attached a summary of such reportable conditions.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, none of the reportable conditions described above is believed to be a material weakness.

This report is intended solely for the information of the Township Board, management and others within the administration and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Brickley DeLong, PLC". The signature is written in a cursive, flowing style.

## REPORTABLE CONDITIONS

Recommendation 1: The Property Tax Collection Fund should distribute all monies owed the General Fund on a timely basis.

During our testing, we noted that the Property Tax Collection Fund had a significant balance outstanding after all monies owed to other governmental entities were distributed. Based upon our testing and inquiries, not all the penalties, interest and property taxes owed to the General Fund had been distributed.

We recommend that all monies collected by the Property Tax Collection Fund be distributed every 15 days as is required with monies owed to other municipalities.

Recommendation 2: Interfund liabilities should be paid when funds are available.

During our testing, we noted interfund liability accounts that had not been repaid from the prior year. The funds with the liabilities had resources available to make these loan repayments.

The payment of outstanding interfund liabilities when resources are available would maintain interfund liabilities to a minimum level and would provide those funds maintaining interfund receivables with monies to invest and/or used to meet current obligations.

Recommendation 3: The Township should develop and utilize a monthly closing checklist in conjunction with the preparation of monthly financial statements.

During our testing, we noted a significant number of general ledger accounts that required adjusting journal entries to correct account activity during the year. The incorrect account balances could result in inaccurate interim financial statements.

The utilization of a monthly closing checklist would encourage personnel to review the accuracy of month end balances through analysis of account activity, comparison to supporting documentation and/or reconciliation with detailed schedules.

Recommendation 4: The Township should adopt a credit card policy as required by the State of Michigan.

During our testing, we inquired whether the Township had a policy related to credit card use. Township personnel were unable to locate a policy.

The adoption of a credit card policy would establish internal controls related to credit card use. These controls would help ensure that only authorized and bona-fide expenditures are made with the Township's credit card.